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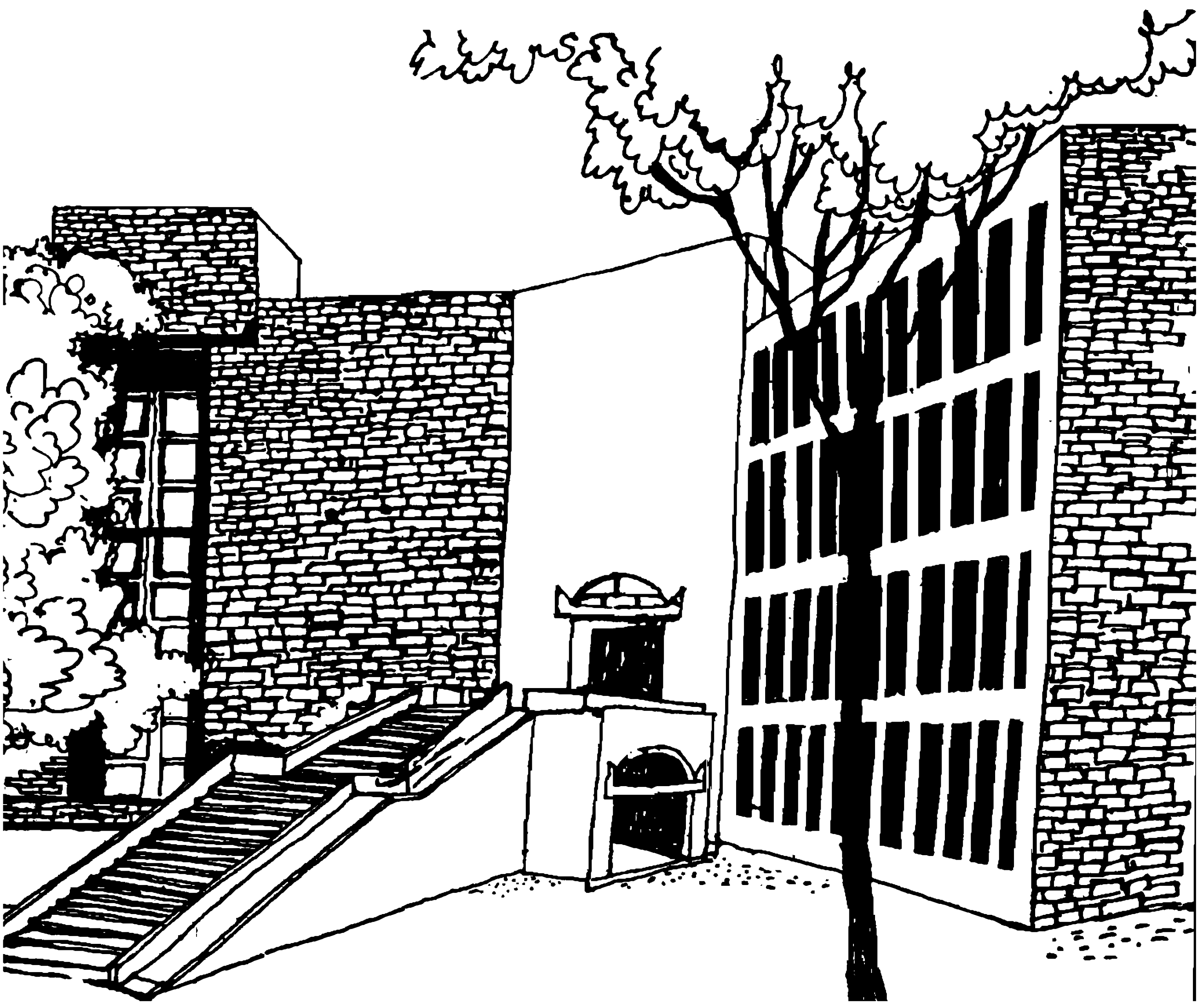

SOME ASPECTS OF INTERNATIONALIZATION BY LARGER INDIAN FIRMS: EVIDENCE FROM TEN CASE STUDIES

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SOME ASPECTS OF INTERNATIONALIZATION BY LARGER INDIAN FIRMS

EVIDENCE FROM TEN CASE STUDIES*

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ABSTRACT

The success of India's recent economic reform programme hinge crucially, among other things, on the level c internationalization of Indian firms. However, in the globa market, Indian products rank low on critical factors lik quality, delivery, and technology. Indian firms face a dauntir task because of a variety of handicaps; lack of state of the ar technology, capital, international marketing expertise, access t distribution channels, and international perspective in strateg formulation and risk taking ability to explore internationa markets.

Given this gloomy scenario it is heartening to note from cas studies published in business journals the many faceted exploit of some larger Indian firms in international markets. Companie like Core Parenterals, Arvind Mills, Ranbaxy Laboratories, IT(Hindustan Lever, Dabur, Lupin Laboratories, and some others hav often been in the news.

With the belief that an exploration of the characteristics c larger Indian firms which are focusing on internationalization a a significant aspect of their overall strategies we undertook content analysis of enterprise case studies published in busines journals. This paper identifies the key characteristics c selected firms' internationalization efforts and presents a explanatory conceptual framework.

Some Aspects of Internationalization By Larger Indian Firms: Evidence from Ten Case Studies

1. Introduction

"Internationalization" and "globalization" are two words which have caught the fancy of managers, policy makers and management academics in India during the last four years following the adoption of the New Economic Policy by the Government of India in mid 1991.

These two words which would be used interchangeably in this paper refer to the movement of a firm outside the boundaries of the country. Seen in a systemic perspective outward movement can embrace one or more of each of the systemic components of a firm: acquisition of resources; transformation of resources into outputs; and disposal of the firm's outputs (Chaudhuri and Khandwalla, 1985). Thus internationalization at the enterprise level involves some or all of the following: products and services; export of technology; investments in foreign countries which may include setting up of marketing, distribution and servicing facilities in foreign countries that may be wholly owned or in partnership with foreign partners; establishment of manufacturing facilities, which again could be wholly owned or in partnership or collaboration with foreign partners; shopping globally for technologies and inputs; planning production in just for the domestic market but for export; inducting into th organization suitable technical and managerial personnel an management practices from abroad.

Internationalization or globalization at the level of the fir may be seen as a continuum ranging from exports to a singl country, to the operations of a multinational company operatin in multiple countries. The ultimate in internationalization ma be the international or global company corresponding t Perlmutter's geocentric firm (Perlmutter, 1969) that behaves a an organization without a home country. Such an organizatic takes a completely global perspective and tries to integrate it production, marketing, procurement, R&D and financial operation across national boundaries with the goal of achieving the lowes cost position and marketing its output at the most favourabl terms globally (Schwandiman, 1973).

The success of India's recent economic reform programme hinge crucially, among other things, on the level o internationalization of Indian firms. The key to increase internationalization of Indian firms is to become mor competitive in international markets. In the global market Indian products though generally considered to be competitivel priced, rank low on critical factors, like quality, delivery, an technology. Many international opportunities for Indian firm remain unexplored; partly because of the traditional handicaps lack of technology, capital, international marketing expertise poor quality image, lack of access to distribution channels, etc

But, according to many experts one of the major problems i attitudinal. Most Indian firms lack an international perspectiv in strategy formulation, and there is considerable risk-aversic to exploring international business opportunities. This ha traditionally confined Indian firms to the most conservative an least rewarding activities, like exporting of primary commoditie and raw materials.

In recent times, however, there has been a spurt in exports which is estimated to be $ 27 billion (Rs.83,700 crores) fo 1994-95, and expected to touch $ 35 billion (Rs.108,500 crores within the next two years. During the last few years a number o medium to large sized firms have been in the news for thei success in developing a significant amount of internationa business. Companies like Core Parenterals, Arvind Mills, Ranbax Laboratories, ITC, Hindustan Lever, Telco, Dabur, Ceat and number of others are actively tapping international markets While these Indian companies have already formulated and are i the process of implementing their internationalizatio strategies, the majority of the Indian firms are still laggin behind.

It is hardly necessary to stress the importance o internationalization to Indian companies today. With wall crumbling down both in the literal and economic sense in man parts of the world, Indian companies have to learn to straddl the globe if they are to survive and grow at all. The experienc of the trendsetters can help other Indian firms take the lea more confidently in future.

This paper presents some preliminary findings of an explorator study of the process of internationalization in selected larg Indian firms. Data on these firms was collected from cas studies published in business journals. The data in these cas studies was then content analysed to arrive at our findings an inferences. We first review some of the existing definitions o "internationalization" and evolve our own which is used t understand the internationalization behaviour of selected large Indian firms. Next brief profiles of the firms are provided. W then describe the major characteristics of the firms internationalizing strategies. The characteristics that ar described emerge from the published case narratives. These ar illustrated with a few examples drawn from the case studies. Th paper ends with an attempt to develop a conceptual framework.

2. Definition of Internationalization

Although widely used, the term 'internationalization' can hav diverse connotations and therefore needs clarification. Schwandiman (1973) sees internationalization in a systemic perspective while Johanson and Weidersheim-Paul (1975) view it somewhat narrowly as they describe 'internationalization' in terms of the outward movement in firm's international operations. Chaudhuri and Khandwalla (1985), however, see it in a much broader perspective as discussed in the introduction of this paper. So does Balakrishanan (1986) who defines 'internationalization' as encompassing a myriad activities, like:

- active exporting of commodities, manufactures, capital equipment, projects and services.
- setting up of overseas marketing offices, assembly plants, fully or partially owned subsidiaries or majority or minority owned joint ventures.
- joining hands with multinational corporations (MNCs) from advanced countries for technology, for access to world markets, or for circumventing tariff barriers in various countries.
- finding and exploiting opportunities to become suppliers of inputs and intermediates, e.g., becoming an international supplier of labour intensive components.
- providing back up services for international trading and manufacturing efforts, in the form of banking, shipping, insurance, credit guaranteeing, etc.

This broad definition is supported by Welch and Luostarinen (1988) who define it as 'the process of increasing involvement in international operations'. An important reason for adopting a broader concept of internationalization is that both sides of the process, i.e., inward and outward, are now increasingly closely linked in the dynamics of international business. Success in outward activities is partly dependent on inward performance. Along with supportive government action this has led to a number of large companies setting up trading arms to facilitate the process. It may therefore be inappropriate to restrict the concept of internationalization merely to the outward side, given the growing inward-outward interconnection.

'Internationalization', as defined by Welch and Luostarinen (1988), is composed of six dimensions:

- Foreign operation methods:

  Agents, subsidiaries, licensing, franchising, management contracts, etc.

- Sales objects or products:

  Goods, services, know-how, systems.

- Target markets:

  Political/cultural/physical distance differences.

  Organizational structure:

  Export department, international division.

- Personnel:

  International skills and experience, training.

- Finance

A broad definition of internationalization seems to make sense to practising managers too. Consider the definition given by Mr. Sanjay Lalbhai, managing director of Arvind Mills, a budding Indian multinational. "Globalization today means being able to manufacture in the most cost effective way possible anywhere in the world. It means being able to procure raw material and drawing management resources from the cheapest source anywhere in the world. It means having the entire world as a market".

In this paper we adopt the broad definition of internationalization.

3. Research Sample

The firms covered in this study are listed in the following table.

Data on these firms was collected from various business journals which have been mentioned in the list of references at the end.

As can be see from Table 1 all the firms in the sample are large in the context of their industries. Each of the firms has a major market share in its industry. Market shares were available only in a few cases; however the published case narratives emphasized their dominance in the industries to which they belong. Export turnover of the firms though not very large is significant and all the firms are giving concerted attention to internationalizing their activities Most of these firms have achieved high annual export growth over the last few years. It may be noted that the above firms belong to industries currently experiencing high export growth.

Table 1: List of Firms and Some Salient Features					
Name of Firm	Industry to which it belongs	Sales Turnover (Rs. Crores) per year	Position in Major Product Market	Exports: Total Sales (%)	Annual Export Growth Rate (%)
1. Sundaram Fasteners Ltd.	Engineering (Automobile Components)	239.67 (1994-95)	Leader in industry (prodn. being 3 times that of closest competitor)	13.1	57 (1994-95)
2. United Phosphorous Ltd.	Agro Chemicals/ Pesticides	300.00 (1994-95)	Market Leader	33.3	49.5 (1992-94)
3. Tata Consultancy Services	Software	260.00 (1993-94)	Market Leader	80.7	20 (1993-94)
4. Titan Watches Ltd.	Watch, Gems and Jewellery	283.93 (1994-95)	Market Leader (market share -80%)	6.33	NA
5. Core Health Care Ltd.	Pharmaceuticals	107.00 (1993-94)	Market Leader (market share 30%)	33.33 (1992-93)	57 (1991-93)
6. Lupin Laboratories Ltd.	Drugs and Pharmaceuticals	401.7 (1993-94)	World Leader (market share in anti-TB 70%)	23.79	74.3 (1992-93)
7. Ranbaxy Laboratories Ltd.	Drugs and Pharmaceuticals	593.4 (1993-94)	Overall Industry Leader	37.5	45 (compounded) (1986-93)
8. Dr. Reddy's Laboratories Ltd.	Drugs and Pharmaceuticals	197.58 (1993-94)	Leader in Specific Product	31.0	50 (1994-95)
9. Arvind Mills Ltd.	Textiles and Garments	591.89 (1994-95)	Market Leader in Major Product	32.68	76.7 (1993-95)
10. Mafatlal Industries Ltd.	Textiles and Garments	264.47	Significant Player	24.96	33.65

4. Brief Profile of the Firms

4.1 Sundaram Fasteners Limited (BW, 1995)

Sundaram Fasteners (SF) is the country's leading manufacturer of high tensile fasteners and has kept up its premier position in the industry for more than two decades. It has been trebling its turnover every three years. The turnover of the company in the year 1994-95 was Rs.239.67 crores showing an increase of 38 per cent from the previous year. The company belongs to the Madras based TVS Group. Sundaram Fastener's main customer is the automobile industry and makes the widest range of fasteners in the country.

4.2 United Phosphorous Limited (FI, 1995 & CIMM Database)

United Phosphorous Ltd. (UPL) is one of the leading and fastest growing agro-chemicals/pesticides companies in the country and is engaged in the manufacture of a wide range of industrial and agro-chemicals, speciality chemicals, pharmaceutical intermediates, mercury compounds and plasticisers. The company exports about a quarter of its production to more than 100 countries across five continents. Its sales turnover in 1994-95 was more than Rs.300 crores.

4.3 Tata Consultancy Services (BT, 1994)

Tata Consultancy Services (TCS) is currently the third largest information technology company with a turnover of about Rs.218 crores during the year 1992-93. It is the seventh largest exporter in India after TISCO, ITC, TELCO, Su-Raj Diamonds, Century Textiles and Hindustan Lever and is also the largest software company in the country.

4.4 Titan Watches Limited (ET, 1995 & BW, July, 1995)

Owned by the Tata group, this Bangalore based company has overtaken its well established rival HMT in just 5 years. The company netted a turnover of Rs.284 crore in 1994-95 which was expected to double by the next year. It is one of the few Indian companies which has invested heavily in building a brand overseas. Its global plans include launching its products in Europe, buying a Swiss watch company and launching a joint venture with Samsung of Korea to assemble and market cameras in India.

4.5 Core Health Care Limited (BW, Nov. 1994 & BI, Jan. 1995)

This company manufacturing IV fluids has a history of less than 10 years. In this short life span it has become a 100 crore-plus company. It has achieved significant success in the international market and now aspires to emerge as a global player in IV fluids and parentarals. Their drive to export was boosted by the enormous import content in their raw material. They had to earn the hard currency through exports. It exports 43% of its production. It is setting up warehousing facilities in the Netherlands, Russia, Ghana, Kenya and Vietnam. Its global distribution network is being expanded to 100 countries from the existing 41. Core is also pursuing a Rs.450 crore diversification programme in the areas of pharmaceutical and health care divisions.

4.6 Lupin Laboratories Limited (BW, 1995; BI, 1995 & CIMM Database)

Lupin Laboratories is one of India's leading pharmaceutical companies with a turnover of Rs.600 crores during 1994-95. It has set up a manufacturing facility in Thailand and exports accounted for 23 per cent of its turnover during the year 1993-94. It is an integrated company with technological strength in synthesis, fermentation, bio-technology and herbal medicines. The company has pursued a strategy of producing products based on difficult technology but having a large market and marketing them globally.

4.7 Ranbaxy Laboratories Limited (BW, May, 1995 & BW, Oct., 1995)

Ranbaxy has been selected for study because of obvious reasons. The Rs.593 crore pharmaceutical giant has recorded a compounded annual growth rate of 31.4%, and its operating margins are among the highest in the industry. This has been possible, because exports at Rs.222.5 crores have touched 37.5% of sales. The company has also established several joint ventures overseas.

4.8 Dr. Reddy's Laboratories Limited (BI, Aug., 1993; BI, Mar., 1994 & BW, Aug., 1995)

Started in 1984, this company started manufacturing bulk drugs and selling them at a cheaper price than the multinationals. They took advantage of the lax patent laws in India which from 1970 onwards has recognized process patents but not product patents. Since then the company has grown dramatically. Sales rose from RS.16 crores in 1989 to Rs.133 crores in 1993. Profits rose from Rs.71 lakhs to Rs.21 crores in the same period. One of the company's strengths is its ability to quickly adapt to the changing environment. They have also currently set up a research foundation to develop new drug molecules at a cost of Rs.8 crores. The company's exports rose from Rs.39 crores in 1991-92 to Rs.62 crores in 1992-93. They have a marketing office in Los Angeles. The company's target markets are US, Europe and Japan i.e. the TRIAD markets.

4.9 Arvind Mills Limited(CIMM Database; BT, Sept., 1995 & BI, May, 1994)

Incorporated in 1960 this is one of the most successful textile mills in the country. Belonging to the erstwhile Kasturbhai Lalbhai group of mills, the mill embarked upon its globalization drive almost one decade back when it set up its denim plant in 1987. Arvind with its turnover of Rs.592 crores in 1994-95 is the largest denim maker in the country and fifth largest in the world. Its exports are Rs.193 crore -- 33% of the turnover. The company has the goal of achieving a turnover of $ 1 billion by the end of the century. Its managing director Sanjay Lalbhai says, "It is our corporate mission to globally dominate our chosen product market segments. Our objective is to become the world's number one in denim". Today, Arvind Mills is close to its ambition through a clearly articulated strategy of globalization which encompasses a number of elements; production, quality, markets, customer service, product development, innovation, cost cutting, financial structuring and delayering.

4.10 Mafatlal Industries Limited (Korwar, 1993; BT, Sept., 1995, BW, Nov., 1994 & CIMM Database)

Incorporated in 1913, this is one of the oldest textile mills in the country. Originally started as a textile mill, it has diversified into industries like engineering, chemicals, petrochemicals, machine tools, etc. However, its textile business is still predominant and managed by family members. The non-textile businesses are either managed by their joint venture partners or professionals. The turnover in 1992-93 was Rs.264 crores, making it one of the larger players in textiles industry. Exports at the end of 1993 amounted to Rs.66 crores (25% of sales). The company has offices in Dubai and Hong Kong. It has resident directors and country managers in different countries. The company has identified garments as one of its thrust areas along with exports and domestic business.

5. Characterising the Internationalization Efforts

Some common features of the internationalization process the sample firms are currently going through are discussed in the following paragraphs.

5.1 Rapid Internationalization

Incremental internationalization is the mode recommended by management scholars (Ansoff and McDonnell, 1990) observed in a number of studies by researchers from Western countries (Johanson and Vahlne, 1977; Luostarinen, 1980; Cavusgil, 1982; Cunningham and Homse, 1982; Welch and Luostarinen, 1988). The Indian firms cited here, however, have achieved a fairly rapid rate of internationalization in the recent past. Lupin had an export turnover of Rs.1.5 lakhs in 1984-85, the year in which it announced export operations. Export turnover has however grown consistently since then, doubling in the last two years to Rs.95 crores. In year 1994 it accounted for 23 per cent of its Rs.415 crores turnover. Core Health Care Ltd., earlier known as Core Parenterals, commenced production in early 1988. Within a short period of four years the company achieved significant success in exports. Currently Core exports more than 40 per cent of its production to over 42 countries. International aid organizations like UNHCR, WHO and the European Community Aid Programme, procure their IV fluid requirements throughout the world from this company.

Though exports began in the 1980s, United Phosphorous started giving concerted attention to it in a systematic manner only as late as beginning of the decade of the 1990s. In a period of five years from 1991 its exports have increased significantly from Rs.10 crores to over Rs.100 crores in the financial year ending 1994. Currently the company exports 25 per cent of its production to more than 100 countries across five continents. The company has succeeded in entering most of the European countries. The purchase of a loss making agro-chemical company in the UK has given the company a foothold in the EEC markets. United Phosphorous has also succeeded in obtaining registration in the US for five products -- not a mean achievement by an Indian company, as registration and marketing of pesticides in the US is extremely difficult. The company has also secured patents in the USA with registration in all the continents to be in a position to raise its exports of pesticides.

The globalization fever seems to have caught on after the opening up of the economy in 1991. Companies were exporting, forming alliances and joint ventures, setting up manufacturing bases in foreign countries even before 1992 but the pace at which firms are now reacting or responding to the new challenge is much higher. Since India has been a late starter in the game, its globalization pace needs to be much faster than that of other countries. In the emerging borderless world, the international market is ever changing and windows of opportunity get shut almost as soon as they open. Firms are realizing the need to be much faster in responding to these challenges in a comprehensive manner than being mere exporters.

5.2 Long Term Thinking and Planning

The internationalization efforts of the sample companies seem to be based on long term thinking and planning. Consider the following illustrations. A number of aspects of Sundaram Fasteners' internationalization efforts point towards a systematic approach. In 1991 it became the first Indian company to get the ISO 9000 quality accreditation given by Bureau Veritas Quality International (BVQI) and in 1992 the company signed an agreement with General Motors to supply it with radiator caps. Currently it supplies 100 per cent of the latter's radiator caps needs. The organization is also undergoing a major re-engineering exercise to increase productivity. As a part of this exercise it has signed a 4-year programme of total productivity maintenance in collaboration with a Japanese institution.

Long term thinking seems to be a hallmark of Lupin Laboratories too. In 1968 the company identified a technology that was appropriate for the manufacture of ethambutol, an anti-TB drug, which was at that time being manufactured only by Cyanamid. Currently Lupin is the world leader in this field with a 60 per cent share of the global market. Mr. K.K. Sharma, Group President, Corporate Development notes "to address the issue of technology as a whole, we have focused on bio-technology, fermentation technology and herbal medicines. These are technologies that do not yield returns in a short time but is a good investment for the future".

Mr. F.C. Kohli, Director Incharge of TCS explains, "in the technology game you must build skills ahead of requirements".

Arvind Mills has been using the services of one of the world's leading management consultant firms, McKinsey and Company to help implement its global strategy. Sanjay Lalbhai, managing director of Arvind Mills say, "the most important aspect of globalization is that you must have a clearly articulated strategy.... I have discovered that unless you have an articulated strategy it is very difficult to convince so many people to make the major changes required to shift to a world market".

In the early eighties when the textile industry was paralysed by the labour strike for 2-3 years, Mafatlal Industries' leadership decided that their company would remain committed to the textile industry - though not necessarily domestic. There was a large international market which Mafatlal decided to exploit. They were strong in terms of technical competence, quality, finance, etc. They hired a UK based consultant to survey the market, come up with a marketing strategy and assist in the actual marketing. After an extensive SWOT analysis, the company chose to target importers, to concentrate on greys and to use the higher grade cotton for the purpose. They spent Rs.90 crores on gearing up for international business including modernization of plants.

5.3 A Global Mindset

Mr. K.K. Sharma, Group President, Corporate Development of Lupin feels that for success in globalization mind sets must also change. According to him the earlier division between domestic and export markets has vanished. This change in mind sets has important implications for technology. It implies the development of an international platform for technology and manufacturing process. Mr. Sharma says, "to address the issue of technology as a whole we have focused on bio-technology, fermentation technology and herbal medicines. These are technologies that do not yield returns in a short time, but are a good investment for the future". For this orientation also seems to pervade other decision areas too. The decision to diversify into cephalosporins, a new antibiotic being developed by Lupin was made because of its effectiveness in treating life threatening diseases like meningitis, septicemia, infections of the respiratory tract and hospital-acquired infections. The ailments afflicted people all over the world. According to Mr. Gupta, cephalosporins would account for 50 per cent of the company's turnover. Though cephalosporins are expensive Lupin has set its sights on the highly lucrative market for these drugs in the developed world.

Sundaram Fasteners' Mr. Suresh Krishnan says, "we are trying to bring about a culture change. You can buy anything with money but a world class company cannot be bought with money. The company is in the process of organizing itself to reach world standards by attempting to achieve 16 top world class performance standards". The company's tie up with Japanese Institute of Plant Maintenance to achieve zero-breakdowns within a period of four years is also part of this process of culture change. Mr. Suresh Krishna echoes this feeling, "by 1999 we could be the challengers for the for the TPM Excellence Award in Japan".

Mr. R.D. Shroff, Chairman and Managing Director of United Phosphorous explains how the global perspective influence his decision making. He says, "... every plant is set up, we strive to make it equal to the best in the world. Every new product we take up for manufacture is decided on the basis of where it can be exported without any subsidy. Every new technology that we adopt is being viewed in the international context. Superior quality and international standards generate an ever increasing demand for the company's products in the global market".

Another dimension of globalization is brought out by Mr. Sanjay Lalbhai of Arvind Mills, according to whom "... it is very critical to build a set of values within the organization that would uphold globalization for a long period of time. It is the commitment of the entire team which is the most important factor. So when you recruit a Swiss or an American or when you are dealing with a China man in Hong Kong, you must understand their aspirations and their working styles and build synergies between them". Another aspect of the culture change that is part of the global view of a business is the need to service customers wherever they are. To avoid infrastructural delays and to provide better service to customers companies are setting up plants or warehousing facilities nearer to the market place. Core Health Care, which exports 43% of its production, is setting up warehousing facilities in the Netherlands, Russia, Ghana, Kenya and Vietnam. Similarly, Thermax has been already operating a full fledged sales service office at Dubai for the last couple of years. This is because the company has over a 100 installations in the UAE of which 20 are in Dubai. The company is also planning to set up an assembly plant at Dubai to function as a nerve centre for its operations in the West and the Middle East.

To be a global company, Ranbaxy has restructured the company. They have divided the globe into 4 divisions for generating business and India belongs to one of them.

5.4 Beach Head in Critical Markets

Experts in international business and management have pointed out the need for internationalising firms to have a strong presence in the TRIAD countries - US, Europe and Japan (Ohmae, 1985). The experience of these Indian companies, though few in number, shows that markets other than the TRIAD are also very important. In fact some of the sample firms began with emphasis on non-TRIAD markets and are only now beginning to make forays in the TRIAD.

For Lupin Laboratories, China accounts for nearly 40 per cent of its international sales. Other South East Asian countries account for 30 per cent of its turnover. The company exports to 61 countries in five continents. In 1989 Lupin set up a subsidiary - Lupin Chemicals (Thailand) Ltd. to manufacture bulk drugs. Currently the company is trying to break into the US market and is also in the process of establishing joint ventures or alliances in Holland, China and the CIS countries. The company has purchased a loss making company in the UK to get a foothold in the European market.

United Phosphorous exports to over 100 overseas markets including the most of European countries. It has entered into strategic alliances with multinational companies in the USA, Germany and UK which of course come under the TRIAD countries. It has also set up wholly on subsidiaries in UK, USA and Aûstralia, Mauritius, Zambia and Mexico and has set up joint ventures in Indonesia and Bangladesh and trading centres in Moscow and Sri Lanka. In terms of the destination of exports Europe accounts for 33 per cent of its export turnover, America 31 percent, the Pacific Rim countries 16 per cent, Africa 12 per cent and Arabian countries 8 per cent.

Tata Consultancy Services (TCS) sells a range of most key software packages globally through its partners in West Asia, Nigeria and UK and is also planning to do so in South Africa. TCS has created a global network of 29 offices in the US, Europe, West Asia, Australia and Japan.

5.5 Emphasis on Quality

Needless to say, all companies affirm that quality is one thing that works too well in the international market. Not only quality of products, but also quality of processes, people, plants, etc. All successful companies seem to take up quality as a major area to be emphasized. "Zero breakdown by 1999" is the slogan for Sundaram Fasteners. It has also tied up with a Japanese firm for "Total Productive Maintenance". Having earned the ISO 9000 it is trying to achieve world standards through 16 top world class performance measures. Lupin is moving towards purer products and has signed up with the original inventors of fermentation technology for upgradation. "Quality" and "International Standards" are the key words for the success of United Phosphorous. It has a strong R&D base for maintaining its standards. TCS has ensured that it is at least short listed for every major software contract in the world. To maintain the quality for international standards TCS has access to every edge of technology. It has set up a state of the are research centre. It also recruits its manpower directly from top class institutions like IITs and IIMs.

At Dr. Reddy's Labs, which faces competition from MNCs in a major way the quality factor cannot be taken lightly. In one of their products (Ibuprofen) the purity was 99.9% whereas that from an MNC was 98%.

In the words of Hrishikesh Mafatlal, "Overseas customers demand a different quality standard in large volumes. Quality is much more customer driven. It is really what the customer needs that is the driving force behind our manufacturing today".

5.8 Global Scale and Rapid Growth

All companies aiming towards the globalization goal seem to have accepted that "small is not beautiful". Volumes, purportedly to achieve cost leadership, has been a major criteria to gain a footing in the international market. Sundaram Fasteners' turnover was Rs.240 crores in 1994-95 and is aiming to reach the Rs.1000 crore mark in next 5 years. Lupin Laboratories was aiming for a Rs.1000 crore turnover in 1995-96 while its revenue for 1994-95 was Rs.600 crores. UPL is a Rs.300 crore company (it has a presence in 100 markets) aiming to cross the 1000 mark by 2000 AD. The HCL Corporation having 15 group companies has already touched the Rs.1000 crore turnover mark and is aiming to reach Rs.10,000 crores by 2000 AD. TCS which is purely a software company is already a global player with a turnover of Rs.218 crores. It has 29 offices all over the world devoted to its consultancy business. Sid Khanna of Andersen Consulting says, "in anticipation of competition, Indian companies are building large capacities to world scale rather than be swamped by international players".

Lupin Laboratories, a Rs.600 crore company is aiming for a Rs.1000 crore target. It would be investing Rs.700 crores in its group companies over the next 3 years to meet this target. The export turnover of Rs.1.5 lakhs in 1984-85 went up to Rs.95 crores in 1993-94. The company exports to 61 countries in 5 continents.

5.7 Building on Distinctive Capabilities

Our study indicates that firms which have successfully internationalized have identified their central or core skills or competencies and have attempted to develop their strategies around them. Sundaram Fasteners is operating around the high tensile fasteners it has mastered over the years. United Phosphorous with its chemical based products is one of the few Indian companies with a reportedly strong foothold in 100 overseas markets. Due to its past experiences it is able to take quick decisions regarding new strategic alliances, entry into new markets, purchase of latest technology, setting up of subsidiaries, etc.

Lupin is pursuing its internationalization thrust on the basis of its technological competence. It is the only company with an integrated technology in synthesis, fermentation, biotechnology and herbal medicines. It has identified products having a large market but which requires difficult technology, making them and marketing them globally. It is developing an international platform for technology and manufacturing processes. TCS is forming its internationalization strategies around its ability to manage complex software projects at low costs. It has an access to the very edge of technology and is building on its experience of 20 years in the industry.

5.8 Mobilizing Funds: An International Outlook

Our study shows that different firms in the process of internationalization follow different strategies for financing their expansion-modernization-restructuring projects. Firms seem to be pursuing a strategy of tapping a multiplicity of sources that are not bound by national borders. Sundaram Fasteners does not believe in an equity dilution nor in rights issues. Lupin went in for two public issues of partly convertible debentures in 1993. It needs an additional Rs.500 crores investment which will be financed through dilution of equity by 20 per cent. Dr. Reddy's Labs' expansions on the other hand were funded by a $ 48 million Euro issue in 1994. These funds are being used for the expansion of its existing bulk drug and formulation plants, for setting up new plants and for its new joint ventures. Arvind Mills too has taken the Euro issue option of financing its massive expansion-acquisition plans. Thermax Limited, also a relatively new player in the global arena is working on a blueprint to make itself a global force in energy and environment-friendly products. The first step to meet the financial requirements of the new vision was to make the company public. It has gone in for a Rs.120 crore public issue for the expansion/diversification plans. An internationalization thrust may require large amounts of funds for a variety of purposes; technology acquisition, capacity augmentation, building new skills, creating distribution networks, etc. The few financing strategy illustrations indicate that Indian firms now seem to have transcended the national boundaries to mobilize funds ostensibly to overcome domestic constraints in terms of cost and availability of funds.

5.9 Joint Ventures, Strategic Alliances and Acquisition

One of the important components of the internationalization process of a number of companies is tie-ups with foreign firms in the form of joint ventures or strategic alliances. Such tie-ups allow Indian firms to access international markets, acquire technical know-how, and learn new managerial skills.

Dr. Reddy's Labs (DRL) has gone in for a Rs.50 crore joint venture with a European company to make enzymes from human placenta. Lupin has signed an agreement with Marion Merril Dow, the inventors of fermentation technology for the upgradation of their technology. Sundaram Fasteners has tied up with general Motors to supply all of its radiator caps demand. It has also tied with a Japanese company to undertake a programme for total productive maintenance.

Watchmaker Titan is thinking of launching a joint venture with Samsung of Korea to assemble and market cameras in India. United Phosphorous has entered into strategic alliances with MNCs in USA, Germany and UK. Indian joint ventures with foreign firms is not a new phenomenon, many are in existence from prior to the enunciation of the New Economic Policy by the government.

Now the trend has, however, reversed to Indian companies forming joint ventures on foreign soil, total acquisition or even setting up of manufacturing bases abroad in partnership with foreign firms. Examples abound in this category. To enter the European market, United Phosphorous purchased a loss making agrochemicals firm in the UK thus securing the advantage of more than 30 product registrations. The company has set up wholly owned subsidiaries in the UK, the USA, Australia, Mauritius, Zambia and Mexico. It has joint ventures in Indonesia and Bangladesh.

Titan, which is ready to launch its products in Europe is considering the purchase of a Swiss watch company. Lupin has a subsidiary in Thailand and is tying up with a US company to set up manufacturing facilities there. It is also getting into alliances with companies in Holland, China and CIS. Ranbaxy has six joint ventures and four fully owned subsidiaries in foreign countries. Arvind Mills has bought a controlling interest in a German company, Lauffenmuehle, getting access to the latter's premium brand, customers across the world and a 10 million metre plant. To consolidate its position in India, Arvind is acquiring or setting up units in SE Asia, Morocco, Israel and Mexico. It has units in Mauritius and Sri Lanka. Core Parenterals has a Rs.40 crore joint venture in Sri Lanka and is planning similar ones in Uzbekistan and Ukraine. The list seems to be never ending.

5.10 Changing Product Portfolio

Some of the companies in our sample are changing their product mix in pursuit of their internationalization goals. Titan has moved into the jewellery market and high cost watch segment considering the export potential of these products. Lupin has shifted its focus from anti TB drugs to the expensive antibiotic range. This was in response to the lucrative global market for antibiotics. Mafatlal Industries is focusing on garments in its internationalization thrust. Dr. Reddy's Labs is also changing its product mix emphasis from bulk drugs to high value-added formulations. This strategy of the sample firms however seems to be built around some central or core skills; Lupin and Dr. Reddy's Labs in process development; Titan in marketing expensive personal products; Mafatlal in textile manufacturing and marketing, etc. This characteristic has been elaborated upon in

5.7. What we are seeing here is perhaps a possible shift from a generic strategy emphasizing focused cost leadership (Porter, 1980) to one of focused differentiation. Low cost of manufacture has been traditionally the major strength of Indian manufacturers. However, this strength may be lost soon as newer low cost locations are explored by the MNCs. This realization may be a major reason for Indian manufacturers to attempt the shift to focused differentiation.

5.11 Backward Integration

Another interesting inference from our exploratory study was that internationalizing firms tend to exhibit need for greater control over their value chains. Titan manufactures 80% of all its components. In 1992 Lupin too went in for backward integration by setting up a fermentation plant at a cost of Rs.83 crores. The CEO of Ashima Syntex says, "We do not wish to take any chance with the quality of the final product. Hence we are stringent in the entire process i.e. from purchase to spinning to weaving of the fabric. Quality is the only factor on which we compete in the international market". United Phosphorous also expanded through forward and backward integration. It may be the only company in the world to manufacture pesticides beginning right from the rock phosphate ore.

6. A Conceptual Framework

In this section we present a conceptual framework to understand and analyse the patterns of internationalization by relatively large Indian firms. Figure 1 depicts pictorially this framework.

FIGURE 1: A CONCEPTUAL FRAMEWORK

FIRM SPECIFIC FACTORS

Existing Strengths

- Significant domestic presence
- Technological competence
- Pioneering orientation
- Professional management
- Presence of strong leader

Strategic Imperatives

- Aspiration to be a global player
- Need to earn foreign exchange
- Growth aspiration constrained by size of domestic market
- Need to be at the cutting edge of technology
- Need to acquire resources and strengths to overcome existing weaknesses

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CHARACTERISTICS OF INTERNATIONALIZATION

- Rapid Internationalization
- Long Term Thinking and Planning
- A Global Mindset
- Beach Head in Critical Markets
- Emphasis on Quality
- Global Scale and Rapid Growth
- Building on Distinctive Capabilities
- Mobilizing Funds: An International Outlook
- Joint Ventures, Strategic Alliances and Acquisitions
- Changing Product Portfolio
- Backward Integration

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EXTERNAL ENVIRONMENTAL FACTORS

Opportunities

- Encouragement for exports, setting up joint ventures abroad from government, etc. after enunciation of NEP
- Tax benefits for foreign income
- Stringent pollution control laws and strong "Green" movement in the developed countries
- Higher profitability of international markets

Threats

- Competition from MNCs in domestic market
- Competition from new Indian firms
- Changes in Indian Patent Act expected as a result of the Uruguay Round

The characteristics of firm level internationalization efforts which have been described in the previous section may be seen as resulting from two broad factors; (a) firm specific and (b) external environmental.

Firm specific factors may be classified into two categories; existing strengths and strategic imperatives. Existing strengths may be in the form of some resources or skills or capabilities which the firm may have developed over a period of time while operating essentially in the domestic market. Strategic imperatives may be described as driving forces that are essentially related to the over all strategy a firm is pursuing.

External environmental factors may also be categorized into two groups; opportunities and threats. These factors are described as external to the firm because they originate outside its boundaries. Both opportunities and threats in the current scenario are heavily influenced by changes in the government's policy. The enunciation of the New Economic Policy by the government in mid 1991 has been a major force that has spurred internationalization efforts of Indian firms.

Figure 1 is self explanatory. In our discussion of the characteristics of internationalization in the previous section we have attempted to relate the various factors from the published case studies. In this section therefore we shall not attempt to describe the internationalization characteristics and how they relate to the firm specific and environmental factors.

Instead we discuss a few existing strengths of the sample firms which stand out as strong influencers on their internationalization efforts. The published case studies provide strong support to our conjectures.

6.1 Significant Domestic Position

Almost all the companies in the sample had very strong position in the domestic market. Sundaram Fasteners is currently the country's leading manufacturer of high tensile fasteners and has maintained this position for more than two decades. United Phosphorous is one of the leading and fastest growing agro-chemical/pesticides company in the country. Lupin Laboratories is one of the country's leading pharma company. Tata Consultancy Services is currently the third largest information technology company in the country. Core Health Care is a leading IV fluids manufacturer currently having a market share of 30 per cent in the domestic market. Core is aiming at a domestic market share of 60 per cent in the near future. Mafatlal Textiles is one of the oldest and most respected names in the textile industry in India. It is one of the largest players in the industry. As of 1994 Arvind Mills was India's largest and the world's fifth largest denim producer. Arvind Mill's denim production capacity of 16 million meters per year gave it a share of around 80 per cent in the country. In high quality cotton shirting too it had a significant market share of 27 per cent.

Titan enjoys 60% market share in the Indian quartz segment. Along with Timex, its American partner Titan holds 80% of the market share. Titan is the only Indian watch company not making losses.

Need for a strong domestic position for achieving competitiveness in global markets has been emphasized by Porter (1990). The small sample of internationalizing Indian firms also provides support for that view.

6.2 Pioneering Orientation

Many of the sample companies have been pioneers in their industries. Sundaram Fasteners was the first company to get the ISO 9000 quality accreditation. Again it was the first company to sign an agreement with a multinational giant to become a dedicated supplier. Lupin Laboratories is perhaps the only or one amongst very few companies in the pharmaceutical industry with technological strengths that cut across a number of areas; synthesis, fermentation, bio-technology and herbal medicines. Core Health Care was the first IV fluid manufacturer in the country to think of becoming the largest producer of IV fluids in the world. Arvind Mills has perhaps the largest R&D centre in the textile industry in India. It is the largest denim manufacturer in the country and fifth largest in the world.

Titan was the first Indian company to differentiate a watch as a fashion accessory. The market for smuggled watches is slowly dying in India due to the price and quality of Titan watches. It is one of the few companies which have invested heavily in building and marketing a brand overseas.

6.3 Role of Leadership

In almost all the companies either the chief executive and or members of the top management team have been very closely associated with the firms' internationalization efforts. In some the initial push was provided by the top managers themselves. In the case of Arvind Mills, Mr. Sanjay Lalbhai has been one of the key architects of the company's globalization strategy. Core Health Care's Mr. Sushil Handa championed the company's international thrust right from the very beginning. In United Phosphorous Mr. R.D. Shah, Chairman and Managing Director has played a very leading role in the company's global thrust. Mr. Rishikesh Mafatlal has been the torch bearer of the company's need for creating a global organization within the organization. In Sundaram Fasteners Suresh Krishna, Chairman and Managing Director has played a similar role. All these visionary leaders also happen to bo the major shareholders in their organizations. In the case of Tata companies like TCS and Titan, professional CEOs like Mr. Kohli and Mr. Desai are the driving forces for their internationalization efforts.

7.4 Technological Competence

Inspite of criticisms galore of the state of Indian science and technology, it cannot be denied that Indian manufacturing firms in a wide variety of industries have developed a high level of technological competence (Chaudhuri and Dixit, 1994 and Lall, 1987) which is also borne out by our research sample.

The sample of firms covered in this study have acquired skills related to project identification; feasibility studies; product range specification; specification of input requirements; deciding on plant scale; technology choice; negotiation with collaborators, consultants, building contractors, and equipment suppliers; procurement of engineering items; vendor development; plant commissioning, and technical training. A number of examples have been cited in our discussion on internationalization characteristics that illustrate the nature of technological skills of the sample firms.

A major characteristic of the technological competence of these firms is that they an oriented towards technology absorption, adaptation and optimization. This has stood them in good stead in collaborating with foreign firms, entering India or in becoming suppliers to original equipment manufacturers (OEMs), or to manufacture products for export markets using widely known technologies and making improvements on them.

The technological competence of the larger Indian firms also suggests an inherent weakness. Focus on process optimization over a long period of time has also developed an organizational inability to create new product technologies. This weakness is poignantly evident in the pharmaceutical industry now facing a major challenge with the imminent loss of patent protection in the post Uruguay Round of world trade negotiations.

7. Concluding Remarks

Though exports by Indian firms is not a new phenomenon the fairly rapid rate of internationalization during the very recent past is a reality that needs systematic investigation. Being a recent phenomenon systematically researched data is hard to come by.

We therefore decided to use case studies published by the leading business journals knowing fully well the weakness of this research methodology.

Our study revealed several interesting characteristics of the internationalization process by ten of the larger Indian firms that cut across several industries. These characteristics are: (a) rapid internationalization, (b) long term thinking and planning, (c) a global mindset, (d) beach head in critical markets, (e) emphasis on quality, (f) global scale and rapid growth, (g) building on distinctive capabilities, (h) an international perspective on funds mobilization, (i) changing product portfolio, and (j) backward integration.

These characteristics may be seen to be resulting from the interaction of several firm specific and external environmental factors.

The government through the NEP of 1991 has played a critical role by creating an enabling environment by removing obstacles to investing abroad and making exports profitable through incentives and at the same time liberating entrepreneurial activity within the country through removal of licensing requirements in a large number of industries, liberalising entry by foreign firms and collaborative ventures, thus creating a highly competitive environment.

Our sample of internationalizing firms have responded strongly to the environmental challenges. Four key strengths; (a) significant domestic position, (b) pioneering orientation, (c) strong leadership and (d) technological competence have significantly facilitated their outward adventure.

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